

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA GOLD BOARD**

**FOR THE YEAR ENDED
31 DECEMBER 2011**

**CONTRACTED AUDITORS: TSD LAL & CO.
77 BRICKDAM
GEORGETOWN**

**AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2011**

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Audit Office of Guyana

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229/SO: 13/2/2012

5 December 2012

Mr. Rishi Sookram
Chairman – Board of Directors
Guyana Gold Board
Upper Brickdam
Georgetown.

Dear Mr. Sookram,

AUDIT OF THE BOOKS AND ACCOUNTS OF
THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2011

Please find attached ten copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With best regards.

Yours sincerely,
AUDIT OFFICE

For Mr. J. Pillay
Audit Manager



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AG: 120/2012

5 December 2012

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE GUYANA GOLD BOARD
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Chartered Accountants TSD Lal & Co. have audited on my behalf the financial statements of Guyana Gold Board for the year ended 31 December 2011, as set out on pages 2 to 22. The audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, work papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

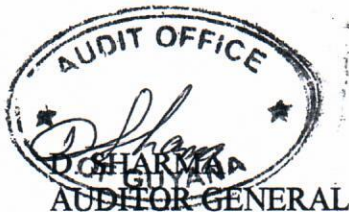
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Guyana Gold Board as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Guyana Gold Board Act of 1981.

Emphasis of matter

Without qualifying my opinion I draw attention to note 3(i) of the financial statements. Management has represented to me that the Board is exempt from Corporation and Property taxes. I am unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in these financial statements.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

INDEPENDENT AUDITORS' REPORT
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS
OF THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2011

Report on the Financial Statements

We have audited the accompanying financial statements of Guyana Gold Board which comprise the statement of financial position as at 31 December 2011, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 22

Directors'/Management's Responsibility for the Financial Statements

The Directors/ Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

Auditors' Responsibility – cont'd

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The previous year's financial statements were audited by another firm of accountants who issued an unqualified opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Gold Board as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to note 3(i) of the financial statements. Management has represented to us that the Guyana Gold Board is exempted from Corporation and Property Taxes. We were unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in the financial statements.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Guyana Gold Board Act 1981.

TSD Lal & Co

TSD LAL & CO.

CHARTERED ACCOUNTANTS

(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)

November 28, 2012

77 Brickdam,
Stabroek, Georgetown,
Guyana

GUYANA GOLD BOARD

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u> G\$	<u>2010</u> G\$
Sales	5	67,247,009,647	59,259,704,275
Cost of Sales	6	<u>(66,926,910,926)</u>	<u>(58,699,593,624)</u>
Gross profit		320,098,721	560,110,651
Other income	7	<u>105,950,641</u>	<u>57,998,609</u>
Operating income		426,049,362	618,109,260
Administrative expenses	8	<u>(300,474,259)</u>	<u>(246,089,047)</u>
Net income for the year	17	<u><u>125,575,103</u></u>	<u><u>372,020,213</u></u>

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Government <u>contribution</u> G\$	Accumulated <u>surplus</u> G\$	<u>Total</u> G\$
Balance at 1 January 2010	108,577,100	886,413,378	994,990,478
Net income	<u>-</u>	<u>372,020,213</u>	<u>372,020,213</u>
Balance at 31 December 2010	108,577,100	1,258,433,591	1,367,010,691
Net income	<u>-</u>	<u>125,575,103</u>	<u>125,575,103</u>
Balance at 31 December 2011	<u><u>108,577,100</u></u>	<u><u>1,384,008,694</u></u>	<u><u>1,492,585,794</u></u>

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

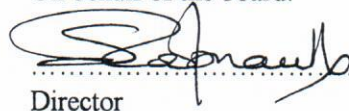
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u> G\$	<u>2010</u> G\$
ASSETS			
Non Current Asset			
Plant and equipment	9	<u>83,743,717</u>	<u>83,035,531</u>
Current assets			
Inventories	10	20,926,936,155	4,096,906,241
Accounts receivable and prepayments	11	37,893,143	23,843,693
Cash on hand and at bank	12	<u>44,189,157</u>	<u>1,738,578,532</u>
		<u>21,009,018,455</u>	<u>5,859,328,466</u>
TOTAL ASSETS		<u>21,092,762,172</u>	<u>5,942,363,997</u>
EQUITY AND LIABILITIES			
Equity			
Government contribution	13	108,577,100	108,577,100
Accumulated surplus		<u>1,384,008,694</u>	<u>1,258,433,591</u>
		<u>1,492,585,794</u>	<u>1,367,010,691</u>
Liabilities			
Advance from Ministry of Finance	14	6,358,465,727	3,938,864,113
Accounts payable	15	733,505,643	633,972,231
Bank overdraft	16	<u>12,508,205,008</u>	<u>2,516,962</u>
		<u>19,600,176,378</u>	<u>4,575,353,306</u>
TOTAL EQUITY AND LIABILITIES		<u>21,092,762,172</u>	<u>5,942,363,997</u>

These financial statements were approved by the board of directors on November 28, 2012

On behalf of the board:


.....
Director


.....
Director

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> G\$	<u>2010</u> G\$
Operating activities		
Net income	125,575,103	372,020,213
Adjustment for:		
Gain on disposal of plant and equipment	-	(1,691,000)
Depreciation	<u>5,605,898</u>	<u>5,432,381</u>
Operating income before working capital changes	131,181,001	375,761,594
(Increase)/decrease in inventories	(16,830,029,914)	1,168,698,550
Increase in accounts receivable and prepayments	(14,049,450)	(11,927,395)
Increase/(decrease) in advance from Ministry of Finance	2,419,601,614	(1,715,628,742)
Increase in accounts payable	<u>99,533,412</u>	<u>339,569,532</u>
Net cash (used in)/provided by operating activities	<u>(14,193,763,337)</u>	<u>156,473,539</u>
Investing activities		
Proceeds on disposals of plant and equipment	-	1,866,000
Purchase of plant and equipment	<u>(6,314,084)</u>	<u>(63,624,583)</u>
Net cash used in investing activities	<u>(6,314,084)</u>	<u>(61,758,583)</u>
Increase/(decrease) in cash and cash equivalent	(14,200,077,421)	94,714,956
Cash and cash equivalent at the beginning of the year	<u>1,736,061,570</u>	<u>1,641,346,614</u>
Cash and cash equivalent at the end of the year	<u><u>(12,464,015,851)</u></u>	<u><u>1,736,061,570</u></u>
Cash and cash equivalent comprise of:		
Cash on hand and at bank	44,189,157	1,738,578,532
Bank overdraft	<u>(12,508,205,008)</u>	<u>(2,516,962)</u>
	<u><u>(12,464,015,851)</u></u>	<u><u>1,736,061,570</u></u>

"The accompanying notes form an integral part of these financial statements"

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and activities

The Guyana Gold Board was formed under the Act of Parliament which is referred to as the Guyana Gold Board Act 1981. Its principal activities as defined in section 4 are as follows:-

- (a) To carry on the business of trading in gold ;
- (b) To secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices;
- (c) To purchase all gold produced in Guyana;
- (d) To sell all gold in and out of Guyana;
- (e) To engage in other related commercial or industrial activities.

Under regulation 4 of 1997 made under the Guyana Gold Board Act 1981, the Board may issue an authorization to possess, sell or export gold produced in Guyana. The gold held by dealers can either be exported or sold to the Board directly. At 31 December 2011-seven (7) - 2010-eight(8) such dealers were licensed.

The Guyana Gold Board entered into an agency agreement with Mitsui & Co Precious Metals Inc on 8 July 2002 for the sale of its gold overseas. Under this arrangement the agent informs to the Board of offer price. The Board then considers the price offer and advises the agent (Mitsui & Co Precious Metals Inc) whether to sell. Mitsui and Co Precious Metals Inc does not earn any commission from the Board on sale of gold .

2 New and revised standards and interpretations

<u>Effective for the current year end</u> Amendments to Standards	Effective for annual periods beginning on or after
IFRS 1 Short term Disclosure Exemption - IFRS 7	1 July 2010
IFRS 1 Short term Exemption – IFRS 9	On adoption of IFRS 9
IFRS 1 Three amendments to IFRS 1 – Changes in accounting policies, deemed cost exemption for event-driven fair value measurements and deemed cost (rate-regulated entities)	1 January 2011
IFRS 3 Amendments to IFRS3 (2008)	1 July 2010
IFRS 7 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 1 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations- cont'd

**Effective for annual
periods beginning
on or after**

Effective for the current year end-cont'd
Amendments to Standards cont'd

IAS 27(2008) Amendments as part of Improvements to IFRSs 2010	1 July 2010
IAS 32 Classification of Rights Issues	1 February 2010
IAS 34 Amendments as part of Improvements to IFRSs 2010	1 January 2011

New Interpretations

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
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Amendments to Interpretations

IFRIC 13 Amendments as part of Improvements to IFRSs 2010	1 January 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011

Available for early adoption for the current year end
New and Amended Standards

IFRS 1 Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 1 Severe Hyperinflation	1 July 2011
IFRS 7 Enhanced Derecognition Disclosure Requirements	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 9 Additions for Financial Liability Accounting	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IAS 27(2011) Separate Financial Statements	1 January 2013
IAS 28(2011) Investments in Associates and Joint Ventures	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations -cont'd

**Effective for annual
periods beginning
on or after**

**Available for early adoption for the current
year end cont'd**

New and Amended Standards cont'd

IAS 1(2011) Amendments to IAS 1 – Presentation of Other Comprehensive Income	1 July 2012
IAS 12 Amendments to IAS 12 – Income Taxes	1 January 2012
IAS 19 Amendments to IAS 19 – Employee Benefits	1 January 2013

New interpretation

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
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The Board has not opted for early adoption.

The standards and amendments that are expected to impact the Guyana Gold Board's accounting policies, when adopted, are explained below.

IFRS 7

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets and are intended to provide greater transparency around risk exposures when a financial asset is transferred. The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Guyana Gold Board's disclosures

IFRS 9

IFRS 9 was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are to be measured either at amortised cost or fair value.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

2 New and revised standards and interpretations- cont'd

IFRS 9- cont'd

The application of IFRS 9 may have significant impact on amounts reported in respect of the Guyana Gold Board's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

When adopted, the standard will be applied retrospectively in accordance with IAS 8

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

When adopted, the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3 Summary of significant accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified for revaluation of fixed assets and the accounting policies conform with International Financial Reporting Standards.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies- cont'd

(b) Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than work in progress, over their estimated useful lives using the straight line method as follows:

Furniture, fixtures and fittings	-10%
Office Equipment	-12.50%
Motor Vehicles	-25%
Laboratory and smelting room renovation	-25%
Computer software	-25%

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises of the weighted average method of valuation. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in the marketing, selling and distribution.

(d) Foreign currency transactions

Transactions in currencies other than Guyana dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies- cont'd

(e) Revenue and expense recognition

Local Sales

The Board recognizes revenue from local sales when the customer takes possession of the gold. Prices are fixed according to the London Daily Fix at the time of the sale. Local sales are made directly to Gold Smiths.

Foreign Sales

The Board recognizes revenue when Bank of Guyana acknowledges receipt from Mitsui & Co Precious Metals Inc. Smelted gold is sent to Royal Canadian Mint where it is refined and then marketed through its agent-Mitsui & Co PRECIOUS Metals Inc. The agent makes payment on sales contract when gold has been transferred to the agent's account.

Sale of refined gold is marketed as follows:-

- (i) Spot transactions
- (ii) Forward transactions
- (iii) Option transactions

There were no forward nor option contracts entered into by the board during the year.

Expenses

Expenses are recognised on an accrual basis.

(f) Impairment of tangible assets

At each reporting date, the Guyana Gold Board reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Guyana Gold Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies -cont'd

(g) Provisions

Provisions are recognised when the Guyana Gold Board has a present obligation (legal or constructive) as a result of a past event, it is probable that the Guyana Gold Board will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(h) Financial instruments

Financial assets and liabilities are recognized on the Guyana Gold Board's statement of financial position when the Board becomes a party to the contractual provisions of the instruments.

Accounts receivable and prepayments

Accounts receivable and prepayments are measured at amortised cost.

Accounts payable

Accounts payable are recognized at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and at bank and bank overdraft.

(i) Taxation

The Guyana Gold Board is exempt from Corporation and Property Taxes

(j) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investments or other purposes. These are readily convertible to a known amount of cash, with maturity dates of three (3) months or less.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies- cont'd

(k) Purchases

Purchases of gold are made based on the London daily fix per ounce of gold quoted in United States dollar(US\$). The payment for gold purchased is based on an assumed purity with a payout factor of the average historical result from assaying. An initial payment is made after a deduction of G\$4.25 per ounce from the average US\$:G\$ exchange rates obtained from six commercial banks. Payment made on the payout factor is adjusted when actual assaying results are determined. For results higher than the payout factor, Guyana Gold Board pays the miners an additional amount. For results lower than the payout factor, the miners reimburse the Guyana Gold Board with the difference from future transactions.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Guyana Gold Board's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

i) Accounts receivable and prepayments

On a regular basis, management reviews accounts receivable and prepayments to assess impairment. Based on information available as to the likely impairment in cash flows, decisions are taken in determining appropriate provisions to be made for impairment.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting judgements and key sources of estimation uncertainty-cont'd Key sources of estimation uncertainty-cont'd

ii) Useful lives of plant and equipment

Management reviews the estimated useful lives of plant and equipment at the end of each year to determine whether the useful lives of plant and equipment should remain the same.

iii) Impairment of financial assets

Management makes judgement at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

	2011 G\$	2010 G\$
5 Sales		
Local sales	26,854,833	31,010,769
Foreign sales	67,220,154,814	59,228,693,506
	<u>67,247,009,647</u>	<u>59,259,704,275</u>
6 Cost of sales		
Inventory at 1 January	4,096,906,241	5,265,604,791
Purchases	83,636,896,656	57,426,384,710
Shipping and refining cost	120,044,184	104,510,364
	<u>87,853,847,081</u>	<u>62,796,499,865</u>
Inventory at 31 December	(20,926,936,155)	(4,096,906,241)
	<u>66,926,910,926</u>	<u>58,699,593,624</u>
7 Other income		
Silver sales	101,053,117	52,812,051
Lease income	2,578,256	1,423,058
Miscellaneous income	919,268	2,563,500
Exporter's licence fee(Dealers)	1,400,000	1,200,000
	<u>105,950,641</u>	<u>57,998,609</u>
8 Adminstrative expenses		
Insurance	10,921,097	11,537,393
Employment cost	57,791,308	54,735,570
Depreciation	5,605,898	5,432,381
Audit fees	2,053,660	1,575,000
Security	27,389,070	27,175,147
Motor vehicle	1,252,202	1,732,069
Sample tests	18,222,530	18,790,900
Legal fees	17,400	13,920
Stationery and supplies	1,715,389	1,844,238
Others	12,716,051	10,562,957
Silver payments	60,990,004	30,032,539
Gold burning	11,908,289	9,012,149
Office maintenance	412,711	186,197
Meal allowances	515,327	559,181
Staff welfare and training	1,034,164	3,045,481
Telephone, internet and telex	1,498,629	1,401,841
Gifts, donations and hospitality	1,443,476	2,135,512
Stamp expenses	78,012,782	58,026,561
Advertisement	575,821	344,684
Repairs to equipment and furniture	1,215,295	987,809
Books and publications	-	1,000,000
Bank charges	1,129,156	1,158,373
Health and safety	-	75,145
Medical expenses	2,057,000	1,976,000
Directors' fees	1,997,000	2,748,000
	<u>300,474,259</u>	<u>246,089,047</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

Plant and equipment								
Cost	Furniture, fixtures & fittings	Office equipment	Motor vehicles	Firearms	Computer software	Lab & smelting room renovation	Work in progress	Total
	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
At 1 January 2011	6,307,899	41,986,645	19,684,410	489,016	3,570,895	12,451,300	63,128,196	147,618,361
Additions	2,014,920	1,724,434	-	-	-	606,671	1,968,059	6,314,084
At 31 December 2011	8,322,819	43,711,079	19,684,410	489,016	3,570,895	13,057,971	65,096,255	153,932,445
Represented by								
Cost	8,322,819	43,246,079	18,004,410	489,016	3,570,895	13,057,971	65,096,255	151,787,445
Valuation	-	465,000	1,680,000	-	-	-	-	2,145,000
Accumulated depreciation	8,322,819	43,711,079	19,684,410	489,016	3,570,895	13,057,971	65,096,255	153,932,445
At 1 January 2011	4,355,993	33,296,671	10,984,410	489,016	3,570,895	11,885,845	-	64,582,830
Charge for the year	515,129	1,774,957	2,900,000	-	-	415,812	-	5,605,898
At 31 December 2011	4,871,122	35,071,628	13,884,410	489,016	3,570,895	12,301,657	-	70,188,728
Net book values								
At 31 December 2011	3,451,697	8,639,451	5,800,000	-	-	756,314	65,096,255	83,743,717
At 31 December 2010	1,951,906	8,689,974	8,700,000	-	-	565,455	63,128,196	83,035,531

10	Inventories	2011 G\$	2010 G\$
	Laboratory		
	Bank of Guyana	309,657,649	206,321,349
	Royal Canadian Mint	8,318,987,717	3,322,762,545
	Guyana Geology and Mines Commission	12,225,035,087	16,773,583
	Mitsui & Co Precious Metals Inc.(a)	10,782,477	4,766,964
	Gold available for sale	24,050,580	546,281,800
	Bartica	35,779,309	-
		<u>2,643,336</u>	<u>-</u>
		20,926,936,155	4,096,906,241

(a) Under the agency arrangement between the Guyana Gold Board and Mitsui & Co Precious Metals Inc., the board may effect certain sales contract for gold without gold being transferred to the agent's account. Mitsui & Co Precious Metals Inc would normally hold stock balance of 2,000 troy ounces of gold as security deposits for such transactions, which will be available upon settlement of outstanding sales contracts.

(b) The cost of inventory recognised as expenses during the year amounted to G\$66,926,910,926 (2010-G\$58,699,593,624).

(c) There was no write off of inventories during the year.

d) All inventories are expected to be recovered within 12 months.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

11 Accounts receivable and prepayments

	<u>2011</u>	<u>2010</u>
	G\$	G\$
Trade debtors	28,878,774	16,207,896
Prepayments	<u>9,014,369</u>	<u>7,635,797</u>
	<u>37,893,143</u>	<u>23,843,693</u>

12 Cash on hand and at bank

Republic Bank (Guyana) Limited	19,080,615	44,682,849
Citizen's Bank Guyana Limited	19,438,210	16,047,530
Bank of Guyana	-	1,676,984,489
Petty Cash-Head Office	5,620,332	813,664
Petty Cash-Bartica	<u>50,000</u>	<u>50,000</u>
	<u>44,189,157</u>	<u>1,738,578,532</u>

13 Government contribution

	<u>108,577,100</u>	<u>108,577,100</u>
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14 Advances from Ministry of Finance

	<u>6,358,465,727</u>	<u>3,938,864,113</u>
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The Guyana Gold Board receives advances from Ministry of Finance which is used to purchase gold and finance operational expenditures. Revenue from sale of gold overseas is used to repay this advance. The balance remaining in this account represents advances not yet reimbursed.

15 Accounts payable

	<u>2011</u>	<u>2010</u>
	G\$	G\$
Trade creditors	68,940,350	123,657,668
Gold dealers' tax payable	187,843,231	167,068,998
Gold dealers' royalties payable	369,976,998	286,584,740
Accruals	22,103,500	20,304,765
Others	<u>84,641,564</u>	<u>36,356,060</u>
	<u>733,505,643</u>	<u>633,972,231</u>

16 Bank overdraft

Bank of Guyana-disbursement account	12,502,025,670	-
Republic bank-current account	<u>6,179,338</u>	<u>2,516,962</u>
	<u>12,508,205,008</u>	<u>2,516,962</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

	<u>2011</u>	<u>2010</u>
	G\$	G\$
17 Net income for the year	<u>125,575,103</u>	<u>372,020,213</u>
After charging:		
Depreciation	5,605,898	5,432,381
Directors fees(see note 17)	1,997,000	2,748,000
Auditor's remuneration	<u>2,053,660</u>	<u>1,575,000</u>

18 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

The board considers the directors and key management personnel as related parties

	<u>2011</u>	<u>2010</u>
	G\$	G\$
Directors' fees paid during the year		
Rishi Sookram	-	658,000
Rene Faerber	-	500,000
Harinarine Tiwari	-	390,000
Nareshwar Harnanan	305,000	180,000
Jeffrey Thomas	400,000	460,000
William Woolford	10,000	320,000
Norman Mc Lean	-	240,000
Sonya Roopnauth	392,000	-
Debria Marcus	380,000	-
Pavita Ramkisson	300,000	-
Lisaveta Ramotar	60,000	-
Karen Livan	<u>150,000</u>	<u>-</u>
	<u>1,997,000</u>	<u>2,748,000</u>

Key management personnel comprised of the General Manager(ag), the Finance Manager,the Station Manager-Bartica, the Internal Auditor and the Head of Laboratory.During the year remunerations paid to these individuals amounted to G\$22,738,002 (2010-G\$20,169,830)

19 Financial risk management

Financial risk management objectives

The Guyana Gold Board's management monitors and manages the financial risks relating to the operations of the Board through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), liquidity risk and

The Guyana Gold Board seeks to minimise the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, interest rate risk and credit risk which are approved by the board of directors.

The Guyana Gold Board's management reports at statutory meetings to the Board of Directors on matters relating to risk and management of risk

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management -cont'd

(a) Market risk

The Guyana Gold Board's activities exposes it to the financial risks of changes in foreign currency exchange rates. The Board uses interest rate sensitivity to financial instruments to manage its exposure to foreign currency risk. There has been no change in the Guyana Gold Board's exposure to market risks or the manner in which it manages these risks.

(i) Interest rate risk

The Guyana Gold Board is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows. The exposure to interest rate risk is minimal.

	Average interest rate %	Maturing 2011		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
Assets				
Accounts receivable and prepayments	-	-	37,893,143	37,893,143
Cash on hand and at bank	-	-	44,189,157	44,189,157
		-	82,082,300	82,082,300
Liabilities				
Bank overdraft	18.25	12,508,205,008	-	12,508,205,008
Advance from Ministry of Finance	-	-	6,358,465,727	6,358,465,727
Accounts payable	-	-	733,505,643	733,505,643
		12,508,205,008	7,091,971,370	19,600,176,378
Interest sensitivity gap		(12,508,205,008)		
	Average interest rate %	Maturing 2010		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
Assets				
Accounts receivable and prepayments	-	-	23,843,693	23,843,693
Cash on hand and at bank	-	-	1,738,578,532	1,738,578,532
		-	1,762,422,225	1,762,422,225
Liabilities				
Bank overdraft	18.25	2,516,962	-	2,516,962
Advance from Ministry of Finance	-	-	3,938,864,113	3,938,864,113
Accounts payable	-	-	633,972,231	633,972,231
		2,516,962	4,572,836,344	4,575,353,306
Interest sensitivity gap		(2,516,962)		

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(b) Liquidity risk

Liquidity risk is the risk that the Guyana Gold Board will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The Guyana Gold Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The following table shows the distribution of assets and liabilities by maturity:

	Maturing		
	2011		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
Assets			
Accounts receivable and prepayments	-	37,893,143	37,893,143
Cash on hand and at bank	44,189,157	-	44,189,157
	<u>44,189,157</u>	<u>37,893,143</u>	<u>82,082,300</u>
Liabilities			
Bank overdraft	-	12,508,205,008	12,508,205,008
Advance from Ministry of Finance	6,358,465,727	-	6,358,465,727
Accounts payable	-	733,505,643	733,505,643
	<u>6,358,465,727</u>	<u>13,241,710,651</u>	<u>19,600,176,378</u>
Net liabilities	<u>(6,314,276,570)</u>	<u>(13,203,817,508)</u>	<u>(19,518,094,078)</u>
	Maturing		
	2010		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
Assets			
Accounts receivable and prepayments	-	23,843,693	23,843,693
Cash on hand and at bank	1,738,578,532	-	1,738,578,532
	<u>1,738,578,532</u>	<u>23,843,693</u>	<u>1,762,422,225</u>
Liabilities			
Bank overdraft	-	2,516,962	2,516,962
Advance from Ministry of Finance	3,938,864,113	-	3,938,864,113
Accounts payable	-	633,972,231	633,972,231
	<u>3,938,864,113</u>	<u>636,489,193</u>	<u>4,575,353,306</u>
Net liabilities	<u>(2,200,285,581)</u>	<u>(612,645,500)</u>	<u>(2,812,931,081)</u>

(c) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Guyana Gold Board.

The Guyana Gold Board faces credit risk in respect of its cash and cash equivalents and its accounts receivables. However, this risk is controlled by close monitoring of these balances by the Board. The maximum credit risk faced by the Guyana Gold Board is the balance reflected in the financial statements.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(c) Credit risk cont'd

Cash and cash equivalent are held by commercial banks. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due.

The related risk is therefore considered very low.

Accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable on a regular basis

The table below shows the company's maximum exposure to credit risk:

	<u>2011</u>	<u>2010</u>
	G\$	G\$
Cash on hand and at bank	44,189,157	1,738,578,532
Accounts receivable(excluding prepayments)	<u>28,878,774</u>	<u>16,207,896</u>
Total credit risk exposure	<u>73,067,931</u>	<u>1,754,786,428</u>
The accounts receivable balances are classified as follows:		
Current	24,737,168	1,973,406
Past due but not impaired	<u>4,141,606</u>	<u>14,234,490</u>
	<u>28,878,774</u>	<u>16,207,896</u>

Ageing of accounts receivable which were past due but not impaired

365+ days	<u>4,141,606</u>	<u>14,234,490</u>
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20 Analysis of financial assets and liabilities by measurement basis

	<u>Loans and receivable</u>	<u>Financial assets and liabilities at amortised cost</u>	<u>Total</u>
	G\$	G\$	G\$
2011			
Assets			
Accounts receivable and prepayments	37,893,143	-	37,893,143
Cash on hand and at bank	<u>-</u>	<u>44,189,157</u>	<u>44,189,157</u>
	<u>37,893,143</u>	<u>44,189,157</u>	<u>82,082,300</u>
Liabilities			
Bank overdraft	-	12,508,205,008	12,508,205,008
Advance from Ministry of Finance	-	6,358,465,727	6,358,465,727
Accounts payable	<u>-</u>	<u>733,505,643</u>	<u>733,505,643</u>
	<u>-</u>	<u>19,600,176,378</u>	<u>19,600,176,378</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

20 Analysis of financial assets and liabilities by measurement basis-cont'd

2010	Loans and receivable G\$	Financial assets and liabilities at amortised cost G\$	Total G\$
Assets			
Accounts receivable and prepayments	23,843,693	-	23,843,693
Cash on hand and at bank	-	1,738,578,532	1,738,578,532
	<u>23,843,693</u>	<u>1,738,578,532</u>	<u>1,762,422,225</u>
Liabilities			
Bank overdraft	-	2,516,962	2,516,962
Advance from Ministry of Finance	-	3,938,864,113	3,938,864,113
Accounts payable	-	633,972,231	633,972,231
	<u>-</u>	<u>4,575,353,306</u>	<u>4,575,353,306</u>

21 Fair value of financial instruments

The following table details the carrying costs of financial assets and liabilities and their fair values

	2011		2010	
	Carrying amount G\$	Fair value G\$	Carrying amount G\$	Fair value G\$
ASSETS				
Accounts receivables and prepayments	37,893,143	37,893,143	23,843,693	23,843,693
Cash on hand and at bank	44,189,157	44,189,157	1,738,578,532	1,738,578,532
	<u>82,082,300</u>	<u>82,082,300</u>	<u>1,762,422,225</u>	<u>1,762,422,225</u>
LIABILITIES				
Bank overdraft	12,508,205,008	12,508,205,008	2,516,962	2,516,962
Advance from Ministry of Finance	6,358,465,727	6,358,465,727	3,938,864,113	3,938,864,113
Accounts payable	733,505,643	733,505,643	633,972,231	633,972,231
	<u>19,600,176,378</u>	<u>19,600,176,378</u>	<u>4,575,353,306</u>	<u>4,575,353,306</u>

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows.

Financial instruments where the carrying amounts are equal to fair values:-Due to their short-term maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair values. These include accounts receivable and prepayments, cash on hand and at bank, accounts payable, bank overdraft and advance from Ministry of Finance.